

## Community Development Financial Institutions Fund

### Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/Decrease	Percent Change
Program Account	\$54,506	\$94,000	\$28,620	(\$65,380)	(69.6%)
Community Development Financial Institutions Program	31,881	58,480	24,417	(34,063)	(58.2%)
New Markets Tax Credit Program	4,258	4,120	4,203	83	2.0%
Bank Enterprise Award	12,551	21,400	0	(21,400)	(100.0%)
Native Initiatives	5,816	10,000	0	(10,000)	(100.0%)
Subtotal, Community Development Financial Institutions Fund	\$54,506	\$94,000	\$28,620	(\$65,380)	(69.6%)
Offsetting Collections - Reimbursables	0	0	0	0	0.0%
Total Program Operating Level	\$54,506	\$94,000	\$28,620	(\$65,380)	(69.6%)

### Explanation of Request

The FY 2009 President's Budget request for the Community Development Financial Institutions (CDFI) Fund will ensure the Fund meets its mission of promoting access to capital and local economic growth in urban and rural low-income communities across the nation. Through its various programs, the CDFI Fund enables locally based organizations to further goals such as economic development; affordable housing; and community development financial services. No funding is being requested for the Bank Enterprise Award Program and the Native Initiatives program.

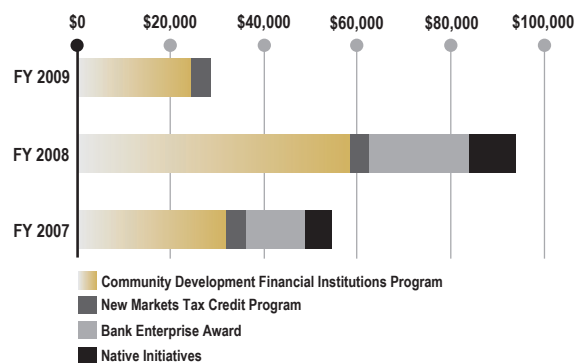
Total resources required to support CDFI Fund activities for FY 2009 are \$28,620,000 from direct appropriations.

### Purpose of Program

The CDFI Fund expands the availability of credit, investment capital, and financial services in distressed urban and rural communities, and carries out the Community Development Banking and Financial Institutions Act of 1994. The Fund's investments work toward building private markets, creating healthy local tax revenues (through job creation, business development, commercial real estate and housing development and homeownership), and empowering residents by stimulating the creation and expansion of diverse community development financial institutions (CDFIs, which provide basic banking services to underserved communities and financial literacy training). The CDFI Fund provides infusions of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage millions of private-sector investment dollars from banks, foundations, and other funding sources.

### CDFI Funding History

(Dollars in Thousands)



## CDFI FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	\$94,000
Changes to base:	
Maintaining Current Levels (MCLs):	\$278
Non-Pay Inflation Adjustment	119
Pay Annualization	48
Pay Inflation Adjustment	111
Subtotal FY 2009 Changes to Base	\$278
Total FY 2009 Base	\$94,278
Program Changes:	
Program Decreases:	(\$65,658)
Bank Enterprise Award Program	(21,428)
CDFI Program	(34,190)
Native Initiatives	(10,040)
Subtotal FY 2009 Program Changes	(\$65,658)
Total FY 2009 President's Budget Request	\$28,620

## FY 2009 Budget Adjustments

### FY 2008 Enacted

The FY 2008 enacted direct appropriation for the CDFI Fund is \$94,000,000.

### Maintaining Current Levels (MCLs)

**Adjustments Necessary to Maintain Current Levels +\$278,000 / +0 FTE** Funds are requested for: FY 2009 cost of the January 2008 pay increase of \$48,000; proposed January 2009 pay raise of \$111,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$119,000.

### Program Decreases

**Bank Enterprise Award Program -\$21,428,000 / -6 FTE** The Fund is not requesting resources for the Bank Enterprise Award (BEA) Program in FY 2009.

**CDFI Program -\$34,190,000 / +12 FTE** The FY 2009 budget request seeks to reduce funding for this program. The increase in FTEs pertains to the transfer of staff administering the Bank Enterprise Award Program (6 FTEs) and Native Initiatives (6 FTEs).

**Native Initiatives -\$10,040,000 / -6 FTE** No separate authorization exists for Native Initiatives so no separate set aside is being requested in FY 2009.

## Explanation of Budget Activities

### Salaries and Expenses

#### **Community Development Financial Institutions Program (\$24,417,000 from direct appropriations)**

The Community Development Financial Institutions (CDFI) Program uses federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for financial assistance to further economic development (job creation, business development, and commercial real estate development); affordable housing (housing development and homeownership); and community development financial services (provision of basic banking services to underserved communities and financial literacy training). The CDFI Program also provides technical assistance awards to help start-up and existing CDFIs build their capacity to serve their target markets through the acquisition of consulting services, technology purchases, and staff or board training.

#### **New Markets Tax Credit Program (\$4,203,000 from direct appropriations)**

The NMTC Program attracts private sector capital into low-income communities. Community Development Entities (CDEs) apply to the Fund for allocations of tax credits in annual competitive rounds. The CDEs, in turn, provide tax credits to private investors in exchange for equity investments, which are invested in low-income communities. In addition to awarding tax credits, the Fund monitors CDE compliance with the terms of their allocation agreements. The amount requested in this account funds the administrative expenses of the NMTC.

### Legislative Proposals

The CDFI Fund has no legislative proposals for FY 2009.

**CDFI Performance by Budget Activity**

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target*	Target*
Community Development Financial Institutions Program	FTE - Number of full-time equivalent jobs created or maintained in underserved communities by businesses financed by CDFI Program Awardees (Oe)	23,656	22,329	35,022	✓	TBD	TBD
Community Development Financial Institutions Program	Private Dollars - Dollars of private and non-CDFI Fund investments that CDFIs are able to leverage because of their CDFI Fund Financial Assistance. (in millions) (Oe)	1,800	1,400	778	✗	TBD	TBD
New Markets Tax Credit Program	Private Equity - Amount of investments in low-income communities that Community Development Entities (CDEs) have made with capital raised through the New Markets Tax Credit (NMTC) tax credit allocations (\$ in billions)(Oe)	1.1	2	2.5	✓	2.5	2.5
Native Initiatives	Total Assets - Annual percentage increase in the total assets of Native CDFIs (%) (Oe)	103	182	19	✗	TBD	N/A

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

\*Targets for performance measures in 2008 and 2009 will be established in early 2008.

**Description of Performance**

The CDFI Fund expects to achieve the following performance objectives in selected program areas with requested funding in FY 2009:

- Increase financing to businesses (including non-profit businesses) and individuals that are low wealth, have limited collateral, are located in underserved communities, or have other characteristics that prohibit them from getting business or commercial real estate loans or equity investments from traditional financial sources.
- Expand the supply and quality of housing units in underserved communities and increase homeownership in these markets by increasing the availability of housing financing that leverages conforming mortgages or that would likely not be made by traditional financial institutions.
- Expand access to affordable financial services for the “unbanked,” low-income people and others in underserved communities.
- Build the self-sufficiency and capacity of CDFI Fund awardees and certified CDFIs.